Department of Administration State Information Technology Services Division (SITSD)

Understanding SITSD Rates

March 2015

Past Issues

- Need for better documentation and justification
 - Legislature need for transparency
 - Office of Budget and Program Planning
 - · Agencies
 - SITSD Executives

Past Issues (cont.)

- Difficulty meeting agency needs with current resources
 - · Demand was to do more with less
 - Tight budgets, tough to defend rates
 - Arbitrary cuts in rates without cutting expectations
 - · Avoid internal subsidization



Past Issues (cont.)

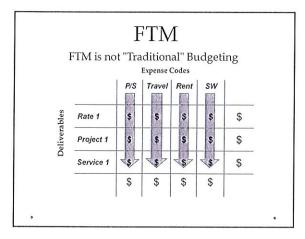
- No solid definitions of services
 - · No detailed Services Catalog
 - · Delays in introducing new services
- No ownership by managers
- No expectations from agencies

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▶ The Financial Transparency Model (FTM) is a standard metric of an organization's capability to <u>plan</u> the full costs of its products and services.

FTM

- ▶ The solution is straightforward in concept:
 - It begins with a business plan that forecasts what products and services SITSD will "sell" in the coming year.
 - Based on that business plan, an effective budget then forecasts the full costs of those products and services.
 - Full-cost means not only direct costs, but a fair share of all indirect costs.



FTM FTM is not "Traditional" Budgeting Expense Codes P/S Travel Rent SW Rate 1 \$ \$ \$ \$ \$ Project 1 \$ \$ \$ \$ \$ Service 1 \$ \$ \$ \$ \$ \$ \$ \$ \$

Process Revenue Source Unit of Measure General Fund Telecom Overhead Headcount Video Conf. Bridge SITSD Video Internal Port Long Distance Telecom Client MDT LD Minute 1,600,000 Telecom Client DOA LD Minute 865,500

Deliverables = Product/Services

Process (cont.)

Agency Input - Interviews

AGENCY	Catalog Item	Expenditure	Budget Client	FY14 Actual Units	Agency Planned for FY16	Annual Rate	UNIT	\$6,586.56 BUDGET
EXE-DOJ	2008 Basic	ITSD_Voice-62380	DOJ-4110_AG	10	1	110.55	SET	110.55
EXE-DOJ	2008 Basic	ITSD_Voice-62380	DOJ-4110_CSD	27	1	110.55	SET	110.55
EXE-DOJ	2008 Basic	ITSD_Voice-62380	DOJ-4110_GCD	2	2	110.55	SET	221.11

Process (cont.)

- Compensation Expenses
 - Billable-time ratios
 - Total compensation costs
 - · Forecast hours

Process (cont.)

- Other Expenses
 - · Direct costs
 - External indirect costs
 - · Internal indirect costs
 - · Overhead costs

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Rates

- Using the same data, the cost of its products and services, we can also calculate rates.
- Rates must represent the full cost of the deliverable.
- By using the full cost data and removing "non-service" costs, SITSD can be confident that its rates are fair and defensible.

Goals of FTM

- · Service catalog
- · Justifiable rates
- · Customer focused
- Compliant with OMB Circular A-87
- Enterprise good Shared Services
- Know impacts of budget cuts

Collaboration

SITSD cannot do this alone.

FTM is a **planning** process that requires input and direction from agencies and other customers.